


**2013 REGULAR SESSION
ACTUARIAL NOTE HB 49**

<p>House Bill 49 HLS 13RS-179 Original</p> <p>Author: Representative J. Kevin Pearson</p> <p>Date: May 1, 2013</p> <p>LLA Note HB 49.01</p> <p>Organizations Affected: Firefighters' Pension and Relief Fund of New Orleans</p> <p>OR DECREASE FC SG EX</p>	<p>This Note has been prepared by the Actuarial Services Department of the Office of the Legislative Auditor. The attachment of this Note to HB 49 provides compliance with the requirements of R.S. 24:521.</p> <div style="text-align: center;">  Paul T. Richmond, ASA, MAAA, EA Manager Actuarial Services </div>
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Bill Header: RETIREMENT/LOCAL: Provides relative to the board of trustees of the Firefighters' Pension and Relief Fund in the city of New Orleans.

Cost Summary:

The estimated actuarial and fiscal impact of the proposed legislation is summarized below. Actuarial costs pertain to changes in the *actuarial present value of future benefit payments*. A cost is denoted by "Increase" or a positive number. Savings are denoted by "Decrease" or a negative number.

Actuarial Cost/(Savings) to Retirement Systems and OGB	\$0
Total Five Year Fiscal Cost	
Expenditures	Decrease
Revenues	\$0

Estimated Actuarial Impact:

The chart below shows the estimated change in the *actuarial present value of future benefit payments*, if any, attributable to the proposed legislation. A cost is denoted by "Increase" or a positive number. Savings are denoted by "Decrease" or a negative number. Present value costs associated with administration or other fiscal concerns are not included in these values.

Actuarial Cost/(Savings) to:	<u>Change in the Actuarial Present Value</u>
All Louisiana Public Retirement Systems	\$0
Other Post Retirement Benefits	\$0
Total	\$0

Estimated Fiscal Impact:

The chart below shows the estimated fiscal impact of the proposed legislation. This represents the effect on cash flows for government entities including the retirement systems and the Office of Group Benefits. Fiscal costs include estimated administrative costs and costs associated with other fiscal concerns. A fiscal cost is denoted by "Increase" or a positive number. Fiscal savings are denoted by "Decrease" or a negative number.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-2018	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	Decrease	Decrease	Decrease	Decrease	Decrease	Decrease

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-2018	5 Year Total
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Agy Self Generated	0	0	0	0	0	0
Stat Deds/Other	0	0	0	0	0	0
Federal Funds	0	0	0	0	0	0
Local Funds	0	0	0	0	0	0
Annual Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

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Bill Information:

Current Law

Current law states that the board of trustees for the Firefighters' Pension and Relief Fund of New Orleans (NOFF) consists of ten members determined in the following manner.

1. The superintendent of the fire department.
2. The director of finance of the city of New Orleans.
3. Five members elected from the active ranks of the department.
4. Three members elected from the ranks of retired members of the department.

The term period for each of the members of the board of trustees is two years.

The election to the board is held on the second Wednesday in December and the members elected take office on the second Wednesday in January. The board of trustees is required to designate the place of the election at its regular meeting in November.

Current law provides that only those members on the NOFF board of trustees elected or appointed from the active ranks of the department have the right to vote on any proposal to increase the assessment levied against the salary of each member of the fire force.

Proposed Law

Under HB 49, the board of trustees for NOFF will consist of a total of five members determined in the following manner.

1. The superintendent of the fire department.
2. The director of finance of the city of New Orleans.
3. One member elected from the active ranks of the department.
4. One member elected from the ranks of retired members of the department.
5. One member, who is domiciled in and an elector of New Orleans, who is appointed by the mayor of New Orleans with the approval of the city council.

The term period for each of the members of the board of trustees will be two years.

On the effective date of the proposed law, the terms of the current members of the board will terminate. However, such members will continue to serve until a successor is elected. If vacancies are created by the enactment of HB 49, the board will be required to call an election to fill such vacancies.

HB 49 provides the election to the board will be held on the fourth Wednesday in August and the members elected will take office at noon on the day following such election. The board of trustees will be required to designate the place of the election at its regular meeting in July.

Under HB 49, the voting limitations for certain members of the board on any proposal to increase the rate of pay that employees contribute to the system will be removed. Therefore, all members of the board will be allowed to vote on such proposals.

Implications of the Proposed Changes

HB 49 decreases the membership of the NOFF board of trustees, changes the timing of elections for the board, and adjusts the powers for certain members of the board.

Cost Analysis:

Analysis of Actuarial Costs

Retirement Systems

There are no actuarial costs associated with HB 49.

Other Post Retirement Benefits

There are no actuarial costs associated with HB 49 for the post-employment benefits other than pensions.

Analysis of Fiscal Costs

HB 49 will have the following effects on fiscal costs during the five year measurement period.

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Expenditures:

1. Expenditures from NOFF (Agy Self Generated) will decrease because the reduction of the number of board members should lead to a decrease in administrative expenses.
2. Expenditures from NOFF (Agy Self Generated) may increase to pay for the special election to fill vacancies created upon the enactment of the proposed legislation. However, the cost of the special election should be nominal.
3. Expenditures from Local Funds will not change. The retirement system is not actuarially funded; retirement system revenues are derived from employee contributions and various other revenue sources that do not depend on actuarial solvency of the system.

Revenues:

- NOFF revenues (Agy Self Generated) will not change.

Actuarial Credentials:

Paul T. Richmond is the Manager of Actuarial Services for the Louisiana Legislative Auditor. He is an Enrolled Actuary, a member of the American Academy of Actuaries, a member of the Society of Actuaries and has met the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinion contained herein.

Dual Referral:

Senate

- 13.5.1 \geq \$100,000 Annual Fiscal Cost
- 13.5.2 \geq \$500,000 Annual Tax or Fee Change

House

- 6.8(F) \geq \$500,000 Annual Fiscal Cost
- 6.8(G) \geq \$500,000 Annual Tax or Fee Change